
Finance Committee

HB 2417

Brief Description: Providing excise tax relief for farm machinery and equipment.

Sponsors: Representative Buri.

Brief Summary of Bill

- Exempts farmers from state sales and tax on the purchase of used farm machinery and equipment.
- Exempts farmers from state sales and use tax on replacement parts and repair services for farm machinery and equipment.

Hearing Date: 1/10/06

Staff: Rick Peterson (786-7150).

Background:

Sales tax is imposed on the retail sales of most items of tangible personal property and some services, including repair services. The use tax is imposed on items used in the state that were not subject to the retail sales tax and includes purchases made in other states and from sellers who do not collect Washington sales tax.

The state sales and use tax rate is 6.5 percent. In addition, cities, counties, and transit districts may impose local option sales and use taxes for general purposes as well as a variety of specific purposes. As of December 2005, local rates ranged from 0.5 percent to 2.4 percent.

Summary of Bill:

Farmers are exempt from state sales and tax on the purchase of used farm machinery and equipment. Replacement parts and repair services for farm machinery and equipment used by a farmer are exempt from state sales and use tax.

The exemption covers machinery and equipment designed for the purpose of growing, raising, or producing agricultural products.

Local sales and use taxes will still apply to the sale of used farm machinery and equipment and to repair parts and services.

Farm machinery and equipment is used if it has been previously subject to sales or use tax in Washington, or sold at retail somewhere other than in Washington.

"Farmer" is defined as any person engaged in growing, raising, or producing, upon the person's own lands or lands in which the person has a present right of possession, any agricultural product to be sold.

The person taking the tax exemption must keep records so that the Department of Revenue can verify eligibility for the exemption. In order to receive the exemption, the person must present an exemption certificate to the seller, which the seller must retain.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.